

**STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION**

IN THE MATTER OF	)	
	)	
MOORS & CABOT FINANCIAL ADVISORS, LLC	)	<b>ADMINISTRATIVE ORDER</b>
JOHN DEAN STAMAS	)	<b>NO. CO-2006-0032</b>
EDWARD STEWART BYRNE	)	
DELIA TORGERSON WATSON	)	
NICHOLAS ROSARIO LAZIO	)	
	)	
<u>RESPONDENTS</u>	)	

**CONSENT ORDER**

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama, 1975, the Alabama Securities Act, upon due consideration of the subject matter hereof, has determined as follows:

**RESPONDENTS**

1. MOORS & CABOT FINANCIAL ADVISORS, LLC ("M&CFA"), Central Registration Depository ("CRD") # 132798, is represented to be a Massachusetts domiciled broker-dealer with a business address of 111 Devonshire Street, Boston, Massachusetts, 02109. CRD records reflect that M&CFA is a wholly owned subsidiary of Moors & Cabot, Inc. ("M&C"), a Massachusetts broker-dealer registered in the state of Alabama continuously since September 1, 1993.

2. JOHN DEAN STAMAS ("STAMAS"), CRD # 2220622, is represented to be a broker-dealer agent for M&CFA and Moors & Cabot, Inc. ("M&C") with a business address of 1310 South Tryon Street, Suite 101, Charlotte, North Carolina, 28203. Commission records reflect that STAMAS is an Alabama registered broker-dealer agent with M&C in Alabama effective July 16, 2001 but has never been registered as a broker-dealer agent for M&CFA in Alabama.

3. EDWARD STEWART BYRNE ("BYRNE"), CRD # 2092860, is represented to be a broker-dealer agent for M&CFA and M&C with a business address of 525 Washington

Boulevard, 35th Floor, Jersey City, New Jersey, 07310. Commission records reflect that BYRNE is an Alabama registered broker-dealer agent with M&C in Alabama effective August 16, 2002 but has never been registered as a broker-dealer agent for M&CFA in Alabama.

4. DELIA TORGERSON WATSON ("WATSON"), CRD # 1420154, is represented to be a broker-dealer agent for M&CFA and M&C with a business address of 12031 Scaggsville Road, Fulton, Maryland 20759. WATSON has never been registered as a broker-dealer agent in the State of Alabama.

5. NICHOLAS ROSARIO LAZIO ("LAZIO"), CRD # 1301393, is represented to be a broker-dealer agent for M&CFA and M&C with a business address of 525 Washington Boulevard, 35th Floor, Jersey City, New Jersey, 07310. Commission records reflect that LAZIO is an Alabama registered broker-dealer agent with M&C effective August 16, 2002, but has never been registered as a broker-dealer agent for M&CFA in Alabama.

#### **STATEMENT OF FACTS**

6. On August 28, 2004, M&CFA filed an electronic application for broker-dealer registration in the state of Alabama through the CRD. On September 1, 2004, the Commission staff issued a deficiency letter to M&CFA. On January 18, 2005, M&CFA provided a response that the broker-dealer's NASD application was pending and that all information requested by the Alabama Securities Commission would be provided once the NASD application was approved. On July 1, 2005 the pending broker-dealer application in the state of Alabama for M&CFA was withdrawn without having registered.

7. On March 14, 2006, M&CFA filed an electronic application for broker-dealer registration in the state of Alabama through the CRD.

8. On March 28, 2006, a visitation letter was issued via certified mail to M&CFA's clearing firm, National Financial Services, LLC, to ascertain what broker-dealer activity had taken place previously in Alabama. Domestic return receipt reflects acceptance on April 4, 2006.

9. On March 28, 2006, the Commission staff issued a deficiency letter to M&CFA requesting, among other things, a description of any prior broker-dealer activity M&CFA had undertaken in the state of Alabama. To expedite this request a telephone call was placed by the Commission staff to Mr. Robert Crowell, Compliance Director for M&CFA. During the telephone call, the staff requested the same items which were requested in the deficiency letter.

10. On March 29, 2006, the Commission staff received a letter, via facsimile, responding to the request made in the telephone conversation between the Commission staff and Mr. Crowell on March 28, 2006. Regarding the issue of prior activity, Mr. Crowell stated that there had been two (2) securities transactions effected by M&CFA broker-dealer agent STAMAS on behalf of one Alabama client.

11. On April 13, 2006, the Commission staff received a response from M&CFA's clearing firm, National Financial Services, LLC, ("the clearing firm") to the March 28, 2006 visitation letter. Documentation from the clearing firm established that seven (7) securities transactions were executed by M&CFA on behalf of two (2) Alabama investors, with a total of \$794.32 in commissions paid by the investors. Four (4) of these transactions were executed after Crowell's March 29, 2006 facsimile and three (3) were executed prior to Crowell's March 29, 2006 facsimile. Although Crowell had represented to the Commission in the March 29, 2006 letter that one broker-dealer agent had effected securities transactions in Alabama, the clearing firm's response to the Commission's visitation letter established that two (2) M&CFA broker-dealer agents had effected securities transactions for Alabama residents. M&CFA later identified those agents as STAMAS and BYRNE, respectively.

12. On June 12, 2006, the Commission staff requested clarification from M&CFA via telephone of the number of securities transactions M&CFA has executed on behalf of Alabama residents.

13. In an e-mail from Mr. Crowell to the Commission staff on June 13, 2006, Mr. Crowell stated that the two (2) securities transactions executed in Alabama took place on

January 24, 2006, which was prior to the filing of the electronic application for M&CFA. The email established that, as of May 23, 2006, twenty-five (25) securities transactions had been executed on behalf of three (3) Alabama clients. Commissions paid in these transactions to the agents of record are as follows: STAMAS (\$2,970.14), BYRNE (\$130), LAZIO (\$130) and WATSON (\$25). In the June 13, 2006 email, Mr. Crowell also offered an explanation for the activity undertaken through M&CFA by stating that the NYSE was pressuring M&C to remove all the "independent contractors" from M&C.

14. On June 22, 2006, Robert Crowell of M&CFA sent an e-mail to the Commission staff in which he explained that WATSON inherited the Alabama investor from another broker-dealer agent, that WATSON did not intend to recommend any trades to the Alabama investor, that the transaction was executed for the purpose of covering a small debit balance in the account, that the \$25 commission was barely enough to cover the ticket charge, that WATSON made no profit on the transaction, and that WATSON, "...did not think the size of the account, approximately \$1,400, was worth the registration costs."

15. On June 28, 2006, a visitation letter was issued via certified mail to M&CFA's clearing firm, National Financial Services, LLC, to ascertain what broker-dealer activity had taken place previously in Alabama.

16. On June 30, 2006, the Commission staff requested that M&CFA provide a copy of any directives or other written documents issued to M&C from the NYSE concerning broker-dealer agents acting as independent contractors. Additionally, M&CFA was requested to provide the contact name and telephone number of the NYSE representative who had advised M&CFA.

17. On July 5, 2006, Robert Crowell, M&CFA Compliance Director, emailed the Commission staff, stating that M&C is a member of the NYSE subject to NYSE's rules and regulations, that M&CFA is a member of the NASD, not a member of the NYSE, and therefore has no agreement with the NYSE, and that M&C does not have any document which specifically instructs M&C to open a new broker-dealer. Crowell stated that the NYSE representative had told him that M&C "...must get rid of all independent contractors." Therefore, Crowell contended, the firm was left with three options: 1.

terminate all the independent contractors; 2. make the independent contractors employees; or 3. open a new broker-dealer that was a member of the NASD only and transfer all of the independent contractors into that entity. M&C choose the third option.

18. On July 10, 2006, the Commission staff spoke with a representative of the NYSE and was advised that the NYSE does not recognize independent contractors. The Commission staff was advised that M&C was cited on a NYSE audit for having independent contractors and that M&C was advised to either 1. hire the independent contractors as employees; 2. terminate independent contractors; or 3. devise a way to get independent contractors away from the member firm.

19. On July 28, 2006, the Commission staff received a response from M&CFA's clearing firm, National Financial Services, LLC, to the June 28, 2006, visitation letter. Documentation in the response reflected forty (40) securities transactions executed by M&CFA on behalf of four (4) Alabama investors, with a total of \$3,485.64 in commissions paid by three (3) of the Alabama investors.

20. A review of Commission records reflected that M&CFA has never been registered as a broker-dealer in the State of Alabama and that STAMAS, BYRNE, LAZIO and WATSON have never been registered in the State of Alabama as broker-dealer agents with M&CFA.

21. On August 4, 2006, the Commission issued Administrative Order No. CD-2006-0032, directing that Respondents Cease and Desist from all broker-dealer activity in the state of Alabama.

22. On August 25, 2006 Respondents were directed in writing by commission staff to provide evidence of rescission offers to the Alabama residents.

23. On June 12, 2007, Respondents provided documentation that respondents either accepted the rescission offers, rejected the rescission offers, or failed to respond within 30 days after receipt by certified mail of the rescission offers.

## CONCLUSIONS OF LAW

24. Pursuant to Section 8-6-3(a), Code of Alabama, 1975, it is unlawful for any person to transact business in this state as a dealer for securities unless he is registered under this article. It is unlawful for any dealer or issuer to employ an agent unless the agent is registered. RESPONDENT M&CFA has never been registered in the State of Alabama, has transacted business in the state as a dealer for securities, and has employed unregistered agents to transact business in the state, all in violation of Section 8-6-3(a), Code.

25. Pursuant to Section 8-6-3(a), Code of Alabama, 1975, it is unlawful for any person to transact business in this state as an agent for securities unless he is registered under this article. RESPONDENTS STAMAS, BYRNE, WATSON and LAZIO are not registered as agents in the State of Alabama and have transacted business in the state by effecting securities transactions through an unregistered dealer in violation of Section 8-6-3(a), Code of Alabama, 1975.

**WHEREAS**, RESPONDENTS admit that securities transactions were effected in the State of Alabama prior to registration and states that the information and assertions presented to the Commission during its investigation of this matter are true and correct; that RESPONDENTS understand the Commission relied upon such information and assertions in its determination to accept this Agreement, and that should the information or assertions prove to be incorrect or misrepresented, the Commission may seek such other administrative, civil or criminal remedies that may be available to it under the provisions of the Act;

**WHEREAS**, RESPONDENTS have voluntarily waived all rights to a hearing upon entry of this Agreement and has consented to the entry of this Agreement;

**WHEREAS**, the Commission finds this Agreement necessary and appropriate in the public interest for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act; and

**WHEREAS**, the Commission and RESPONDENTS are desirous of settling this

matter as hereafter set forth and agree to the entry of this Agreement;

**ACCORDINGLY, IT IS HEREBY AGREED:**

1. That RESPONDENTS shall, until such time as properly registered in the State of Alabama, refrain from effecting securities transactions into, within or from the State of Alabama.

2. That M&CFA shall ensure that proper procedures are enacted to preclude any future non-compliance with the Act and shall develop and implement policies and procedures that will prevent transactions in a state in which they are not properly registered. A copy of these policies and procedures shall be filed with the Commission contemporaneously with this signed Order.

3. That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, M&CFA shall pay to the **State of Alabama** an administrative assessment in the sum of One Thousand Dollars (\$1,000.00) said funds to be tendered in certified funds contemporaneously with the entry of this Order.

4. That in accordance with Section 8-6-19(k)(1), Code of Alabama 1975, M&CFA shall pay to the **Alabama Securities Commission**, as partial reimbursement for the Commission's cost for investigating this matter, the sum of One Thousand Dollars (\$1,000.00), said funds to be tendered in certified funds contemporaneously with the entry of this Order.

5. That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, RESPONDENT JOHN DEAN STAMAS shall disgorge all commissions received from Alabama residents by payment to the **Investor Protection Trust Fund** the sum of Three Thousand Two Hundred Fifty Dollars and Sixty One Cents (\$3,250.61) said funds to be tendered in certified funds contemporaneously with the entry of this Order.

6. That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, RESPONDENT DELIA TORGERSON WATSON shall disgorge all commissions received from Alabama residents by payment to the **Investor Protection Trust Fund** the sum of

Twenty Five Dollars (\$25.00) said funds to be tendered in certified funds contemporaneously with the entry of this Order.

7. That the entry of this Order resolves Cease and Desist Order CD-2006-0032.

AGREED AND CONSENTED to on date indicated:

RESPONDENTS:

MOORS & ABBOT FINANCIAL ADVISORS, LLC

BY: [Signature]

TITLE: Chief Compliance Officer

DATE: 7/26/07

*per our conversation the firm is representing*

JOHN DEAN STAMAS

John Stamas DATE 7/26/07

EDWARD STEWART BYRNE

Edward S Byrne DATE 7/26/07

DELIA TORGERSON WATSON

Delia T. Watson DATE 7/26/07

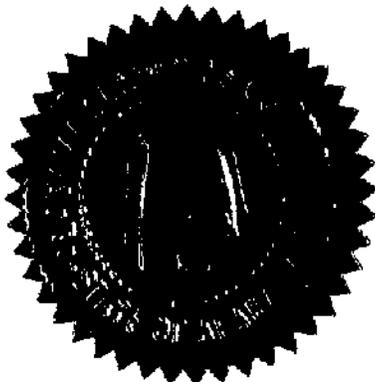
NICHOLAS ROSARIO LAZIO *vacated.*

DATE

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APPROVED AND AGREED this 20th day of July, 2007

ALABAMA SECURITIES COMMISSION  
770 Washington Avenue, Suite 570  
Montgomery, AL 36130-4700  
(334) 242-2984



[Signature]  
JOSEPH P. BORG  
Director